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Chain Store Age

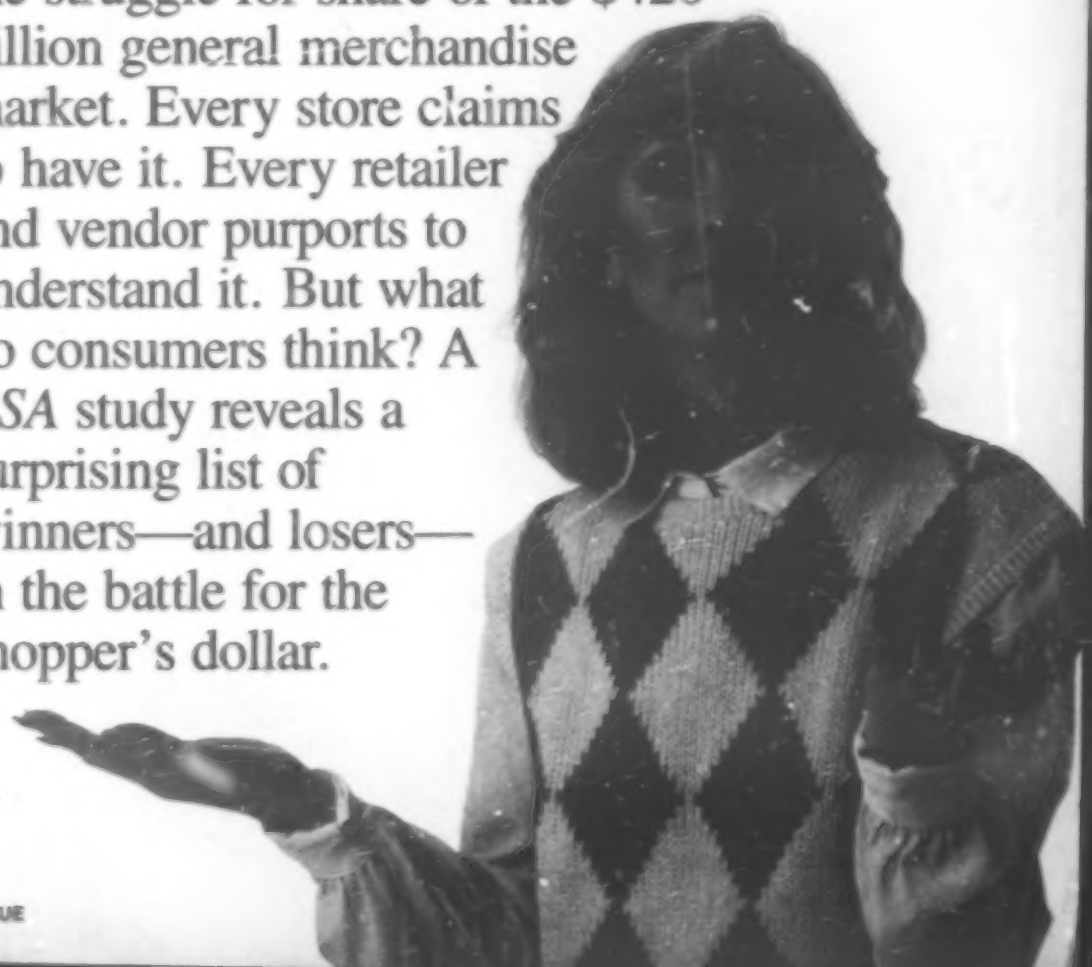
GENERAL MERCHANDISE TRENDS

May 1985

VALUE

WHAT IS IT? WHO HAS IT?

Value is the most potent weapon in the struggle for share of the $420 billion general merchandise market. Every store claims to have it. Every retailer and vendor purports to understand it. But what do consumers think? A *CSA* study reveals a surprising list of winners—and losers—in the battle for the shopper's dollar.



TWO DOLLARS PER ISSUE

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Consumers say value is more than quality divided by price

What is value? Experts contend they know. Who has it? Every retailer and vendor lays claim to it. Who doesn't have it? The other guy down the street. The ultimate arbiters in the definition of value, however, are neither experts nor retailers nor vendors. *Consumers* make the final choice with each dollar they spend.

An exclusive *Chain Store Age*/ Leo J. Shapiro & Associates consumer study reveals how consumers in five markets—Los Angeles, Dallas, Atlanta, Chicago and Philadelphia—define value. The study is pragmatic. It accepts the idea that value is whatever it is that the consumer seeks in making decisions as to which store to shop or which product to buy. It rejects the idea that there is some abstract standard of value, defined by experts, that consumers "ought" to follow.

The survey finds value to be a subtle blend of a dozen factors and not just a simple equation. It reveals a surprising list of winners—and losers—in the battle for the consumer's heart and pocketbook. The traditional value equation—simply quality divided by price—proves no more appropriate to the modern retail environment than would the staid department stores of the past.

Further, the study lends credence to the belief that retailing in the 20th century continues to be a process of replacing older formats with new ones that offer greater value to the consumer. Yet each strategic decision to enhance value—whether it is in pricing, advertising, service or return policy—directly determines retailer and manufacturer costs.

Those who can deliver the greatest value for the least cost will reap the highest profits. □

VALUE IS A COMPLEX EQUATION

The *CSA*/Shapiro value survey involved over 1,000 telephone interviews in five U.S. markets. The results define what value means to consumers.

Merchandise quality and price are the two top factors in the value equation.

"Value isn't any single thing," says Richway chairman John H. Weitnauer Jr. The Atlanta-based discounter's top executive expresses both the problem and the answer to the value question. Most retailers long ago abandoned the simple "quality divided by price" formula for figuring value, but a new equation has yet to replace the old.

The *Chain Store Age*/Leo J. Shapiro & Associates consumer study reveals a new, more complex and more realistic formula. The result of 1,008 telephone interviews sampled in roughly equal numbers in five markets, the survey answers four basic questions:

- Who has value;
- What is value;
- How does value change consumer shopping patterns, and
- How does value for products differ from retailer value?

The poll raises an additional question of its own: Can retailers tagged as the best value providers turn their consumer kudos into profits?

Who has value: Sears Roebuck and Co. is the clear winner in the fight for the consumer's value vote. In three of the five markets studied in the *CSA*/Shapiro poll, respondents pegged Sears as the store that delivered the best value.

When asked to name a store where they shop for clothing and things for the home, and that provides the best value, consumers named Sears more often than any other national chain and more frequently than almost any regional re-

tailer.

When consumers bypassed Sears they did so in favor of a department store. In Atlanta, Rich's copped top honors by a wide margin, while John Wanamaker in Philadelphia edged out Sears. In Chicago, Dallas and Los Angeles, shoppers chose Sears, followed by a department store.

Department stores, according to the poll, are also the most frequently shopped retail outlets. Almost 98% of the survey sample has shopped a department store in the last year. This compares to the 80.1% who have shopped discount stores, 79.2% who have bought at Sears, and 58.1% who have shopped variety stores. Another 42.4% say they have visited catalog showrooms in the last year.

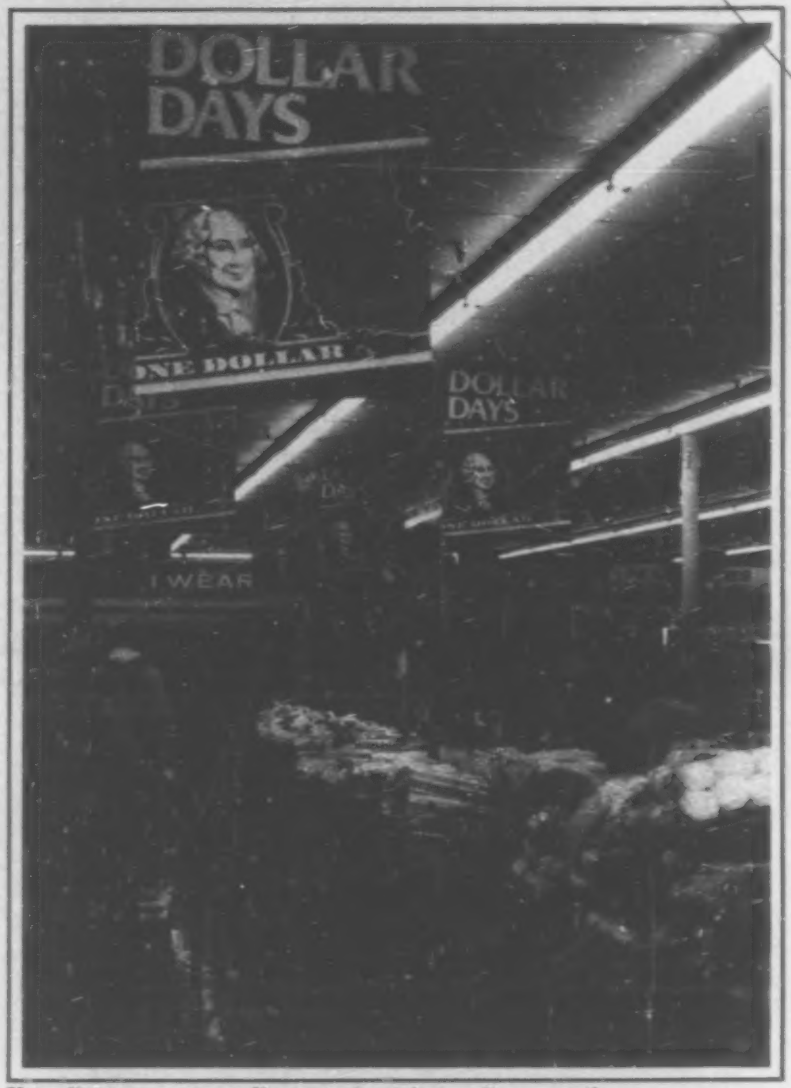
Are department stores, then, synonymous with value? The *CSA*/Shapiro study shows that while department stores may be top-rated, they do not have a strangle-hold on the consumer's notion of value.

What value is: True to conventional wisdom, merchandise quality and price are the top two factors in the value equation, according to consumers in the *CSA*/Shapiro poll. Store location ranks a close third (see chart). But in a surprising result, not even merchandise quality is ranked of high importance by more than 1 in 5 survey respondents.

To determine precisely how consumers figure the value formula, survey respondents were asked to rank the relative importance of 12 different factors that go into the decision of choosing a store to shop. For convenience, these scores were then converted to rankings of high (7-9), medium (4-6) and low (1-3) importance.

Consumers in the poll give "the quality of the merchandise" the highest score with an average rank of 5.37 and 21% of those answering saying it has high importance. "Prices they charge" follows with a mean rank of 4.76 and 15% saying it has high importance. "Location of the store" comes in third with an average score of 4.58 and 14% in the poll reporting it has high importance.

But the poll's results clearly show that in making judgments on stores that offer the best value, consumers respond to a number of different factors and not just quality products at low prices in convenient locations. Retailers, in allocating re-



Upscaling may prop up discounters' sagging quality perceptions.

Value: not a simple equation

How much would you be influenced by the following?

Factors	Importance			Mean rating
	High (7-9)	Middle (4-6)	Low (1-3)	
[illegible]	21%	[illegible]	19%	5.37
Prices	15	60	25	4.76
[illegible]	14	58	28	4.58
Looks of the merchandise	8	64	28	4.34
[illegible]	11	59	30	4.28
Sales and specials	7	55	38	4.05
[illegible]	6	60	34	4.04
Return or exchange policy	7	53	40	4.02
[illegible]	6	54	40	3.94
How well stocked	3	59	38	3.85
[illegible]	6	52	42	3.82
Advertising	2	34	64	2.93

Source: *Chain Store Age*/Lee J. Shapiro & Associates

sources to enhance value, cannot, by implication, ignore any single factor.

Consumers in the poll rank the looks of the merchandise, how enjoyable the shopping experience is, sales and specials, store cleanliness and return policy all of almost equal importance.

Seen in the study's light, much of retailing's recent wave of repositioning and reformatting can be characterized as continuing efforts to respond to consumer value demands. Discounting's torrent of upscaling, Target's continuing success, and K mart's addition of more brand name merchandise, in particular can be seen as efforts to prop up discounting's sagging quality perceptions while maintaining traditionally strong advantages in both price and location.

Consumers rank a store's cleanliness and return policy of equal importance.

As the survey makes clear, unless consumers believe that a store offers the quality of merchandise they want, then prices and convenience of location are not relevant. They only make a difference in choosing between stores that offer merchandise of the quality the consumer wants.

Different definitions: The study, of course, does not show that only the stores that offer the finest quality merchandise have a chance at gaining the consumer's value vote. Different groups of consumers are interested in different levels of quality and define value differently.

Consumers with high incomes are more likely to rank merchandise quality of high importance, according to the survey. Consumers with family incomes of $40,000 and more make up one-third of those most concerned about quality, but only 21% of those who say quality is of middle importance, and 16% of the group that ranks quality of low importance.

Sales help takes on a greater role in the value equation for younger shoppers—those that are just beginning to shop for themselves. Among those who say that sales help is very important in deciding value, 23% are under the age of 25. This compares to the 14% of those who assign low importance to sales help and are under the age of 25.

Those who rank price as a top determinant in the value formula present a more complex relationship, according to the study. Chief breadwinners in the family are more likely to rank price of high importance than those who are not the family's prime source of income.

Family income proves a better predictor of the price/consumer relationship. The survey shows that concern about price decreases as family income increases. Only 19% of the group that says price is of high concern to them in choosing a store to shop have incomes over $40,000. But 30% of those with low concern for price have a family income of more than $40,000 a year.

Changing patterns: Where customers shop is directly related to their definition of value, according to the poll. Seventy per cent of shoppers at department stores, the study's near across-the-board winners, report that they are shopping the full-line outlets with equal or greater frequency in the last year.

This compares to the 73% of discount store customers, 61% of variety store shoppers and 57% of catalog showroom customers who say they are going to these outlets with more or the same frequency this year.

Consumers in the study who say they value merchandise quality report that they are doing more of their shopping at full-line department stores this year and less at the Big 3 catalog chains. Conversely, customers who rate price of top importance in the value formula are buying more at Sears, Penney and Ward, while visiting department stores less often.

Price, according to the study, seems to have no effect upon who shops off-price apparel stores. In what might be a reversal of normal logic, the *CSA*/Shapiro poll indicates that the real draw to the off-price apparel specialist is merchandise quality.

The number of consumers doing more of their shopping at off-price apparel stores is the highest among those who give the most importance to merchandise quality (24%), followed by those who rank quality of middle importance (18%) and customers who say quality is of little value (15%).

Value blend: Consumers, however, do not make shopping decisions based entirely upon any single value component. Customers weigh and choose from among a variety of characteristics before they decide which store gets their value vote.

For this reason, retailers can not entirely ignore any single value component and remain competitive. A retailer that dominates a market by offering the best price, for example, immediately becomes vulnerable to attack from another retailer who cannot only match his price, but also offer some other value component—better sales help, cleaner stores, or a more enjoyable shopping experience.

This, in part, explains the strong value position of department stores in the *CSA*/Shapiro study. Both by design and in response to economic conditions and bloated inventory levels, department stores have moved into more price promotional positions. At the same time they maintain strong advantages in traditionally strong areas such as fashion, cleanliness and broad assortments. The combination apparently has paid off with increased consumer value perceptions and sales. □

In Philadelphia, which store has the best value for . . .?

	Sears	J. C. Penney	John Wanamaker	Gimbels	Strawbridge's	Bamberger's	Strawbridge & Clothier	Other dept. stores	K mart	Clover	Other discount stores
Men's wear	17.9	8.5	19.9	11.1	2.9	16.5	10.5	8.5	2.8	2.9	8.5
Cosmetics	8.2	4.4	20.2	10.9	4.3	16.6	17.7	8.2	8.3	2.7	2.7
Home electronics	25.6	6.2	8.9	12.3	—	12.3	7.4	6.2	3.7	1.2	1.2
Housewares	27.1	9.8	9.4	10.6	3.9	12.9	8.8	7.8	7.8	4.8	1.9
Sporting goods	26.8	8.8	11.3	7.5	—	2.5	7.5	8.8	16.3	2.5	2.5
Stationery	13.2	8.8	20.9	8.8	4.4	3.3	8.8	7.7	15.4	8.8	2.2

Source: Chain Store Age/Leo J. Shapiro & Associates

Value: department stores score big

Shoppers rate department stores as big value providers. More visits to full line stores back this score.

It has been fashionable in business circles to forecast the downfall of the dowager department store tier of retailing. Apparently, no one told the public.

While it is true that consumers have flocked to off-price stores and other competing outlets, more shoppers rate department stores as providers of value than any other retail concept. And they have backed up that assessment with more visits to the traditional full-line stores.

On a cumulative group basis, according to the *CSA*/Shapiro study of five markets, department stores outdistanced their nearest competitors, the Big 3, in delivering value based on merchandise departments and overall store attributes.

Department stores pulled in a 71.1% score for their merchandise vs. 68.2% for the Big 3, and a 72.8% rating for attributes vs. a 55% mark for Sears, Penney and Ward. If the scores for specialty department stores such as I. Magnin and Bonwit Teller are added to the traditional department stores the ratings would jump to 80.5% for merchandise and 84.3% for attributes.

Discount stores received overall scores of 45.5% for merchandise and 36.7% for attributes, while specialty stores scored significantly higher for merchandise (69%) than they did for attributes (29.2%).

The payoff: In four of the five markets surveyed, the leading department store reaped the benefits of turnaround efforts. Wanamaker's, Marshall Field, Rich's and Broadway all rebounded from marketing positions that were extremely vulnerable just a few years ago. Only Sanger Harris came in No. 1 in its market without having had to un-

In Philadelphia which store has . . .

	Sears	Penney	Strawbridge's	John Wanamaker	Gimbels	Bamberger's	Strawbridge & Clothier	Dry Goods	K mart	Clover	Jord. Ward
Good service	19.9	5.0	5.5	13.4	2.9	6.4	12.9	1.5	3.8	3.8	—
Always find what I want	14.3	6.4	2.9	11.4	5.9	10.4	11.9	1.9	4.5	3.3	0.5
Big selection	21.3	4.5	4.5	14.4	5.9	12.9	10.9	1.5	5.4	2.5	1.0
Good location	12.9	6.4	5.4	14.8	8.9	7.4	12.4	0.5	8.4	3.5	0.5
Great sales	12.9	3.5	1.5	9.4	11.9	12.4	12.9	1.0	6.9	4.0	2.5
Positions and looks I want	7.4	4.5	4.3	15.3	6.9	11.9	12.4	1.0	1.5	2.0	1.0
Easy checkout	16.3	4.5	2.5	10.4	6.9	7.4	14.9	1.0	5.9	3.0	—

Source: Chain Store Age/Leo J. Shapiro & Associates

In Dallas, which store would you say has the best value for . . .?

	Sears	Montgomery Ward	J. C. Penney	Sanger Harris	Joske	Dillard's	Marshall Field	Other department stores	K mart	Target	Wal-Mart	Other discount stores
Men's wear	23.7	5.9	12.6	28.0	5.9	15.6	—	6.7	2.2	2.2	0.7	1.5
Cosmetics	10.7	3.9	5.6	37.9	3.9	10.7	—	3.9	5.7	10.7	1.9	1.9
Home electronics	30.0	9.1	6.3	15.6	1.3	9.1	—	—	9.1	3.9	1.3	5.2
Housewares	22.4	7.5	9.7	13.9	3.6	9.7	0.9	1.2	13.3	11.5	1.8	4.6
Sporting goods	30.4	7.4	4.3	10.6	3.2	3.2	—	—	9.6	13.8	5.3	3.2
Stationery	9.1	5.2	5.2	14.3	2.6	5.2	—	2.6	28.6	18.2	5.2	3.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

dergo extensive repositioning.

On the other hand, the payoff, at least in consumer perception, still awaits J. C. Penney's efforts to transform itself into a viable department store alternative. Penney trailed most department store companies in the respective market and substantially lagged behind Sears.

Penny's strongest locale was Los Angeles where it virtually tied the Broadway for second place behind Sears. But in Atlanta, where it first unveiled its repositioning strategy in a major way, Penney came in a distant fourth behind Rich's, Sears and Davison's.

Penney executives vigorously argue that they have moved away from Sears as a provider of basic, mass market apparel, accessories and home goods. But the public failed to respond to the initiatives, in the *CSA*/Shapiro study.

An equal number, 7%, said Penney and Sears carried the "fashions and looks I want." Individual department stores averaged about 10%.

Furthermore, at 7%, Penney registered less than half of Sears' 15% and 4% less than the average score for department stores when it came to being known for carrying quality merchandise.

But all is not doom and gloom for Penney. It has infiltrated the department store ranks. In Los Angeles, compared to the May Co., consumers said Penney's value was better in eight merchandise departments. Significantly, respondents chose Penney in all three apparel areas as well as domestics.

Los Angeles blue light blues: While Los Angeles may be Penney's top market, it ranked as the poorest for K mart. Consumers there gave K mart its lowest scores for merchandise and attributes.

A mainstay department such as children's wear earned just a 1.4% value rating in Los Angeles compared to 9.7% in Dallas and 9.9% in Chicago. Similarly, sporting goods received a 2.6% score in Los Angeles and 16.3% in Philadelphia and 9.6% in Dallas.

K mart also suffered in Los Angeles when consumers evaluated stores based on their attributes. Respondents gave K mart just a 4% approval for having good everyday

In Dallas which store has . . .

	Sears	Ward	Penney	Dillard's	Joske	Sanger Harris	Bloomingdale's	K mart	Wal-Mart	Target
Good service	17.0	4.0	8.0	10.5	2.0	16.0	1.5	4.5	1.0	3.5
Always find what I want	21.0	3.0	6.0	3.0	3.5	16.5	0.5	6.5	2.0	7.0
Big selection	25.0	6.0	8.5	6.5	2.0	18.0	1.5	6.0	2.0	6.0
Good location	15.5	4.5	6.5	6.0	4.0	16.0	0.0	11.5	4.0	2.5
Great sales	12.5	0.5	8.5	8.5	4.5	12.0	—	0.0	3.5	10.0
Fashions and looks I want	5.5	4.5	8.0	11.0	5.0	25.5	2.0	2.0	1.5	1.5
Easy checkout	13.5	2.0	9.5	13.0	5.5	13.0	0.5	6.5	2.5	4.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Chicago, which store would you say has the best value for . . .?

	Sears	Montgomery Ward	J.C. Penney	Carson Pirie Scott	Wieboldt	Marshall Field	Other department stores	K mart	Venture	Zayre	Other discount stores
Men's wear	27.0	9.5	11.7	13.1	2.0	21.2	2.9	5.1	2.9	2.9	0.7
Cosmetics	12.7	2.8	5.9	21.6	4.9	33.3	—	5.9	0.8	3.9	1.0
Home electronics	46.7	12.3	11.1	3.7	1.2	7.5	1.2	5.0	3.7	4.1	—
Housewares	29.1	12.7	10.9	1.8	7.9	14.6	—	6.8	7.9	4.7	—
Sporting goods	37.3	9.3	13.3	2.7	1.3	4.0	—	12.0	14.7	4.0	1.3
Stationery	14.3	6.6	6.3	7.1	4.8	14.3	—	19.0	15.5	9.5	1.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

prices compared to 15% in Atlanta and 12% in the other cities.

More discouraging, despite its efforts to improve its image by including more brand names displayed in more vibrant presentations, K mart earned hardly a mention as a store that offers quality.

The *CSA*/Shapiro study found just 2% of the sample nationwide thought of K mart as a good store for quality merchandise. By comparison, Montgomery Ward, with representation in just three markets, secured a 2.8% mention for quality, Penney had 7% and Sears 15%.

Tumbling tools: Among the new television commercials currently being aired by Sears is one entitled "falling tools." As a boxload of tools tumbles down the side of a mountain the announcer advises viewers that should Craftsman tools ever malfunction, for any reason, Sears will replace them.

It's an effective, dramatic spot, one that reinforces what consumers told *CSA*/Shapiro is the premier attribute Sears possesses—the best return policy.

As the nation's largest retailer Sears enjoys overwhelming customer acceptance. Just under 8 out of 10 households (79%) said they shopped Sears in the last year. K mart achieved 75% penetration.

But visits alone do not make a retailer strong. Sears has been able to pound together a one-two combination of merchandising and operational strengths that at times appears almost too hard to believe.

Take toys, for example. After renewing a commitment to year-round toys only in the last few years, Sears has established a reputation that beats K mart and, in Philadelphia, exceeds the total for all full-line discounters.

Another Sears campaign, to make its stores and merchandise more appealing, seems to be winning converts. Customers generally gave Sears middle to high figures vs. its competitors when asked to name stores in which they enjoyed shopping.

Nevertheless, Sears is not without problems. The most glaring one is survey respondents indicated they are shopping less often at Sears today compared to a year ago. □

In Chicago which store has . . .

	Sears	Ward	Penney	Carson Pirie Scott	Marshall Field	Wieboldt	K mart	Zayre	Venture
Good service	16.1	6.0	8.5	7.5	20.6	3.5	6.0	2.5	3.5
Always find what I want	17.6	5.5	7.0	6.0	15.6	1.5	7.0	3.0	7.5
Big selection	23.6	5.0	9.5	7.5	19.6	2.0	5.5	3.5	7.0
Good location	19.1	4.0	5.5	7.5	15.1	1.5	11.6	6.0	9.0
Great sales	12.6	3.5	10.1	5.0	10.1	3.0	11.1	5.0	13.1
Fashions and looks I want	11.6	4.0	9.5	9.5	16.1	2.0	3.0	1.0	4.5
Easy checkout	15.6	7.0	9.0	6.0	15.6	2.5	8.5	4.0	9.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Atlanta, which store would you say has the best value for . . .?

	Sears	J. C. Penney	Rich's	Richway	Davison's	Other department stores	K mart	Wal-Mart	Zayre	Other discount stores
Women's clothing	5.6%	9.4%	39.4%	6.3%	26.9%	4.4%	4.4%	1.9%	1.3%	0.6%
Men's wear	12.7	11.5	39.5	5.1	21.7	4.5	2.5	1.3	1.3	— —
Children's wear	18.6	15.2	26.2	9.7	12.4	1.4	11.0	2.1	2.8	—
Cosmetics	5.1	6.6	39.4	13.1	26.3	2.2	6.6	—	0.7	—
Domestics	14.0	13.4	26.2	11.0	16.9	2.3	11.0	0.6	2.3	1.7
Home electronics	26.4	9.6	28.8	8.8	14.4	0.8	8.0	0.8	0.8	0.8
Photo	21.9	7.6	27.6	6.7	7.6	1.0	15.2	2.9	1.9	6.7
Housewares	21.2	10.6	21.2	11.2	14.0	1.7	14.0	—	2.8	3.4
Hardware	57.5	3.1	3.9	8.7	3.1	—	15.7	2.4	3.1	0.8
Sporting goods	41.1	7.3	8.9	10.5	6.5	0.8	20.2	2.4	1.6	—
Toys	25.8	9.7	9.7	15.1	3.2	—	25.8	3.2	6.5	—
Stationery	10.1	12.6	20.2	16.8	10.1	3.4	22.7	0.8	2.5	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Rich payoff for Rich's

Two years ago an Atlanta retailer told *Chain Store Age* that Rich's "image is not what it was five years ago when it was the ony retailer in town. Atlanta has changed too, and the old store loyalties just aren't there anymore."

In the intervening two years Rich's has spruced up its stores and has become more aggressive as it responded to the challenge posed by Davison's.

Consumers, too, have responded. By a wide margin over Sears and Davison's, Rich's emerged as the No. 1 value store in Atlanta. It copped first place for both merchandise and store attribute value ratings.

Rich's No. 1 position cannot be explained away as merely a reflection of its nearly double sales volume compared to Davison's. Both stores enjoy comparable penetration of customers with incomes in $35,000-$50,000 range. Rich's customer base is 62% while Davison's is 57%, according to local surveys.

Rich's dominated Davison's and Sears in all apparel areas, cosmetics and domestics. It tied with Sears for housewares and edged Sears slightly in consumer electronics. Davison's finished far back in both areas.

The strength throughout the store bears out the comment of Chuck Frew, vp/regional stores, that Rich's attempts to meet the shopping needs of all of its customers.

***Rich's won first** place in both merchandise and store attribute ratings.*

It also is hard to argue with Frew when he says that Rich's continuing commitment to customer satisfaction and a liberal return policy have fostered customer loyalty.

Its score for having a good return policy was 33.3%, far and away the best percentage achieved by any store in the five markets *CSA*/Shapiro studied.

Similarly, the rating for good service (29%) and knowledgeable saleshelp (28.5%) outpaced all stores in all markets.

And Rich's took first place for having the fashion and looks customers want, quality merchandise and carrying a big selection.

In Atlanta, which store has . . .

	Sears	Penney	Davison's	Rich's	Richway	K mart	Zayre
Best value for money	14.5	7.7	11.6	24.2	11.1	10.6	1.0
Good service	16.4	5.8	16.9	29.0	6.3	4.3	1.0
Knowledgeable sales help	11.1	6.3	15.9	28.5	4.8	3.9	0.5
Always find what I want	10.1	5.8	17.9	26.1	8.7	8.2	1.0
Good everyday prices	16.4	12.1	5.8	17.9	14.5	15.0	1.4
Big selection	10.6	4.3	20.8	31.9	9.7	8.2	0.5
Return policy	14.5	4.8	12.6	33.3	8.7	4.3	1.9
Good location	8.7	6.8	15.9	28.0	8.2	13.5	1.9
Good advertising	10.6	6.8	14.5	30.4	9.2	10.1	2.4
Great sales	9.7	9.7	13.0	22.7	12.6	11.1	2.9
Most enjoyable shopping experience	6.3	6.8	18.8	25.1	7.7	5.3	2.4
Fashions and looks I want	5.8	5.8	23.2	34.3	3.4	2.4	1.4
Quality	10.6	6.3	23.7	32.9	2.4	3.9	1.4
Easy checkout	9.2	9.7	13.5	25.6	8.7	8.7	2.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

In Los Angeles, which store would you say has the best value for . . .?

	Sears	Montgomery Ward	J. C. Penney	Bullocks	May Co.	Merryv's	Robinson's	The Broadway	Other dept. stores	K mart	Gemco	Fedco	Other disc. stores
Men's wear	11.2	4.8	17.1	13.8	7.0	7.2	5.9	16.4	10.5	2.5	1.9	1.3	0.7
Cosmetics	9.6	2.5	9.1	15.9	13.1	3.0	10.6	18.2	4.8	3.0	3.0	1.5	3.0
Home electronics	34.9	6.4	6.5	3.7	10.3	—	0.9	10.3	—	5.7	3.7	12.1	5.5
Housewares	22.8	7.5	9.6	8.7	11.6	4.6	4.6	3.6	2.3	5.4	6.4	5.2	5.2
Sporting goods	32.5	16.4	19.4	1.3	5.1	1.2	1.3	6.5	1.3	2.6	5.1	10.4	3.9
Stationery	20.2	4.8	8.3	11.9	13.1	5.6	2.4	16.7	2.4	7.1	7.1	7.1	1.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Keeping the lights on Broadway

Going head to head against Sears in Los Angeles, The Broadway comes on strong in the *CSA* poll.

Perhaps more than any other Los Angeles retailer, The Broadway reflects how Angelenos like to think of themselves: informal, breezy and fashion-forward. While capturing the soul of southern California, The Broadway has also won consumers' votes for value.

In the Los Angeles-Orange County market, consumers in the *CSA*-/Shapiro poll rate The Broadway virtually tied with Sears as the best overall value retailer. As far as the quality of its merchandise, convenient locations, service, selection, fashion, advertising and sales and specials, Los Angeles consumers rank The Broadway first among its department store competition.

Going head-to-head against Sears, consumers rate The Broadway higher for fashion, quality merchandise, convenient location, advertising and how enjoyable the shopping experience is. Sears wins in providing the best value for the money, service, knowledgeable sales help, return policy, assortment and easy checkout.

For women's apparel, men's apparel and cosmetics, consumers rate The Broadway first in value among all Los Angeles retailers, according to the study. In home electronics and children's wear it ranks second, while in housewares it ties for third.

Customer value perceptions have paid off directly in sizable market share performance. *CSA* estimates

In Los Angeles which store has . . .

	Sears	Ward	Penney	Broadway	Robinson's	Nordstrom	May	Bullock's	K mart	Gemco	Fedco	Zodys
Great service	12.0	2.0	11.0	16.5	6.5	6.0	7.5	7.5	1.0	—	1.5	0.5
Always find what I want	11.0	3.5	6.5	9.0	6.5	3.5	8.5	6.5	5.0	3.0	1.5	2.0
Big selection	14.0	5.0	7.0	13.0	6.0	5.5	9.5	9.5	2.0	2.0	2.5	1.0
Good location	11.0	3.0	8.5	15.0	7.0	1.5	9.0	8.0	3.0	3.5	2.5	0.5
Great value	11.0	2.5	5.0	10.0	6.5	2.5	7.5	8.5	6.5	2.5	1.5	1.5
Fashions and looks I want	8.0	1.0	8.0	11.5	9.5	6.0	10.5	11.0	—	0.5	0.5	—
Easy checkout	13.0	3.0	7.5	7.0	6.0	6.0	8.5	8.5	5.0	1.5	—	1.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

that in unit share The Broadway dominates the Los Angeles-Orange County market in women's and men's apparel, places just behind Penney's, Sears and Mervyn's in children's apparel, and about equally shares the market for home electronics with Sears, Gemco, Fedco, Zodys, K mart and Montgomery Ward.

With undeniable strength in soft lines, it is no wonder that The Broadway, like many of its sister department stores in recent years, has taken steps to beef-up floor space devoted to apparel, while eliminating or reducing slow moving or less profitable departments such as white goods.

The trend is most visible at The Broadway's three-year-old Beverly Center store. At 160,000 sq. ft., the Beverly Center store is considerably larger than the average Broadway unit. The expansion at Beverly Center is accomplished nearly entirely by growing apparel space and reducing the relative proportion of the store devoted to hard lines departments such as housewares and electronics.

On one level, the space allocations in the new store make sense—simply devoting more of the selling floor to the store's perceived strengths. But in doing so, has The Broadway now recognized its additional hard line strengths?

In electronics, for example, the *CSA*/Shapiro poll shows that The Broadway has a consumer value rating that is just behind Radio Shack, almost equal to The Federated Group, and ahead of Pacific Stereo, Adray's, Leo's Stereo and all other electronics specialists.

For certain categories, such as televisions, *CSA* estimates that The Broadway already has a greater unit market share than Phil & Jim's, Adray's, Leo's Stereo or The Federated Group.

With the entry of Circuit City superstores into the Los Angeles market pegged for early 1986 (Circuit City is the current leased operator for Zodys' home electronics departments), it will be interesting to see how The Broadway reacts to additional power-merchandising competition.

Consumer electronics advertising in the *The Los Angeles Times* alone already approaches four million lines annually. With the addition of new competition, The Broadway must face the possibility that its proportionately smaller electronics departments may get lost. □

Value: Some consumers will pay for it

Customers polled reveal they are willing to pay more for good sales help and clean stores.

Where customers shop is directly related to their definition of value.

Delivering value costs money. It pumps up operating expenses and eats into margins. Customers demand trained sales help, clean stores, broad assortments, frequent advertising and innovative store design. But are they willing to pay for it?

They are. More often than not, consumers in the *CSA*/Shapiro study report they are willing to let retailers who provide better value reap the rewards of higher profits. But the results are not across-the-board.

Clean stores and good sales help are the two value components customers are willing to pay the most for, according to the poll. Consumers who rank both of these characteristics as very important are willing to let the retailer who provides them take up to 50% higher profits.

The survey's results confirm some of the reasons behind discount retailing's recent wave of upscaling. Upscale discounters, such as Target, have placed a premium on store cleanliness and have found that their customers are willing to accept both the higher margins it requires and the resulting higher profits for the chain.

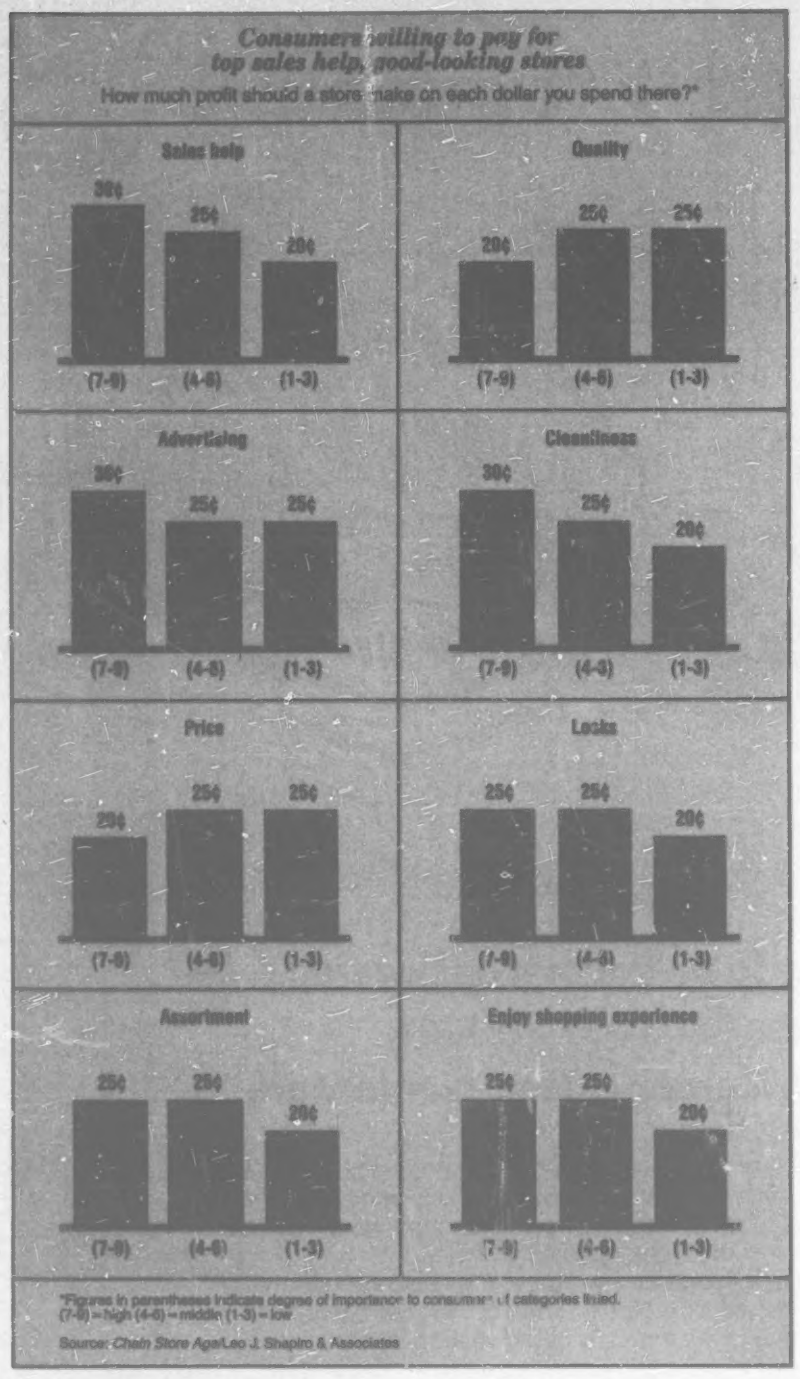
To discover how much consumers are willing to pay for value in dollars and cents, the *CSA*/ Shapiro study asked respondents, "How much net profit should a store make on each dollar that you spend there?" These results were then compared against consumer definitions of value.

Customers who rank store cleanliness of top importance respond that retailers may gain 30¢ for each dollar spent at a store, compared to the 25¢ allowed by consumers who rank cleanliness of medium importance, and the 20¢ profit offered by those who say cleanliness is only a small part of the value equation.

Similarly, the lower the level of sales help provided by a store, the less consumers are willing to pay for merchandise purchased there. The 43% of the study sample which ranks sales help of little importance reports that retailers should only gain 20¢ on the dollar. Another 52% of the sample base say sales help is of middle importance. This group would allow profits of 25¢ on the dollar. The 5% of consumers who report that sales help is of top importance are the most generous, allowing retailers to take 30¢.

When it comes to advertising, merchandise appearance, assortments and how enjoyable the shopping experience is, consumers in the *CSA*/Shapiro study are still willing to pay for value, but less generously.

On the average, customers who rank advertising of middle or low importance say that retailers should take a median 25¢ profit for every dollar spent in stores. Those who report advertising is a very important



factor in the value equation say 30¢ per dollar is fair.

Customers who rank the looks of merchandise, the breadth of assortment and the enjoyability of the shopping experience of low importance also say that retailers should only gain a 20¢ profit. Those who say these factors are of middle or high importance would allow a 25¢ profit.

Though merchandise quality heads the consumer's list as the greatest component of value, the poll reveals that those who value quality the most are the stingiest when it comes to allowing the retailer a profit for his efforts.

The 1 in 5 of the consumer sample who ranks product quality very important also says that retailers should make a median 20¢ profit on every customer dollar spent there. This compares to the 25¢ allowed by the 10% of consumers who rank quality of minor importance.

More predictably, those for whom price is a high determinant of the value equation (about 15% of the study total) are also less willing to let the retailer take a higher profit. Customers who rank price as very important report they would allow only a 20¢ profit for each consumer dollar spent compared to the 25¢ reported by the 20% of respondents who say price is of little importance.

Though respondents to the *CSA*/Shapiro poll were asked how much net profit a store should make, the results show that customers, for the most part, consistently overestimate retail profits. It is probable that the average 31¢ reported in the poll actually represents consumer estimates of markup and not net profits.

While the study indicates that consumers are willing to pay for value, it also reveals that they have little understanding of just how expensive their demands may be.

Value vs. profit: Though department stores are the poll's hands-down winners, the survey's list of so-called losers raises a question as to whether or not the victory is pyrrhic. Some of retailer's virtual money machines—including some key discounters and hard and soft goods specialty chains—receive only lackluster value ratings.

On the other hand, Sears, which consumers tag as the top national value retailer, has turned in financial results which are less spectacular than its value ratings.

Though consumers are willing to pay for value, are they willing to pay enough to allow stores an adequate return? The recent experience of most department stores suggests that consumers are not willing to. Being the best value retailer is of little consolation if profits slip in the process.

According to the poll, consumers are willing to pay higher prices for some of value's most expensive components: sales help, housekeeping, advertising and broad assortments.

But, frustratingly, customers also say they are unwilling to pay for the retailer's single highest expense, the cost of goods sold: Those shoppers who value quality the most allow retailers the smallest profits. □

Consumers use workmanship as a prime criterion of judging product value.

Materials, looks alter shopping patterns

As in determining store value, consumers use a blend of factors in defining a concept of product value.

"Value has a direct correlation to quality, practicality and functionality," says Sony Tape Sales Co. president John Hollands. "We build design into the equation for added value. The bottom line is consumers should get what they pay for, but at Sony Tape, we feel they should get a bit more."

Workmanship is still the prime criterion consumers report they use to judge product value, according to the *Chain Store Age*/Leo J. Shapiro & Associates study. Price ranks a close second. But in the same way they blend characteristics to come up with a definition of value for stores, consumers use a combination of a dozen factors to pin down a concept of product value.

Though workmanship and price top the consumer's product value definition, barely 1 in 5 consumers give either of these characteristics a high importance rating, showing once again that value is more than quality divided by price. Only 23% of those polled say workmanship has high importance for them, while 21% reply price is very important.

A product's material, looks, sale price and guarantee are of top importance to slightly more than 1 in 10 consumers. Assortment, brand name, store, country of origin, advertising and package are all very important to 1 in 20 consumers.

Surprisingly, though workmanship and price lead the consumer's list for product value, neither of these factors seems to change actual shopping patterns, according to the study. Consumers who say they rank either workmanship or price as very important report they are shopping all retail outlets with about the same frequency they always did.

Rather it is the second tier of characteristics—material, guarantee and looks—that appears to change shopping patterns. Among those who rate product material of high importance, a significant number report that they are shopping K mart less frequently in the last year, despite the discounter's herculean efforts to upgrade.

Among those who say that product guarantee is of top importance, consumers say they are shopping J. C. Penney with greater frequency. Not surprisingly, those for whom guarantee takes the top position report that they are shopping flea markets less often than a year ago.

Both of retailing's twin giants, Sears and K mart, come out on the losing end among those for whom the look of a product is of prime importance. Consumers in this group say that they are shopping the No. 1 and No. 2 retailers with less frequency this year.

Interestingly, the study shows that price takes on a greater role in determining product value as consumer incomes rise. The average income for those who rank price of high importance is $31,300. Those who say price is of little importance in determining the value of a product have average incomes of $28,900.

At the same time, brand name takes on a diminishing role in the product value equation as incomes rise. The average annual income of those who rank brand name of top importance is $28,400 as compared to the $30,700 who say brand name is a minor part of product value.

Men and women, according to the study, are likely to disagree as to what constitutes product value. Men rank brand name, advertising and country of origin higher in importance. Women report that a product's package is of greater importance to them. □

Product value: workmanship over brand

How much are you influenced by the following?

Factors	Importance			Mean rating
	High (7-9)	Middle (4-6)	Low (1-3)	
Price	21	64	15	5.33
Looks	13	67	20	4.84
Guarantee	12	63	25	4.65
Brand name	4	51	45	3.66
Country of origin	6	39	55	3.38
Package	2	25	74	2.73

Source: Chain Store Age/Leo J. Shapiro & Associates

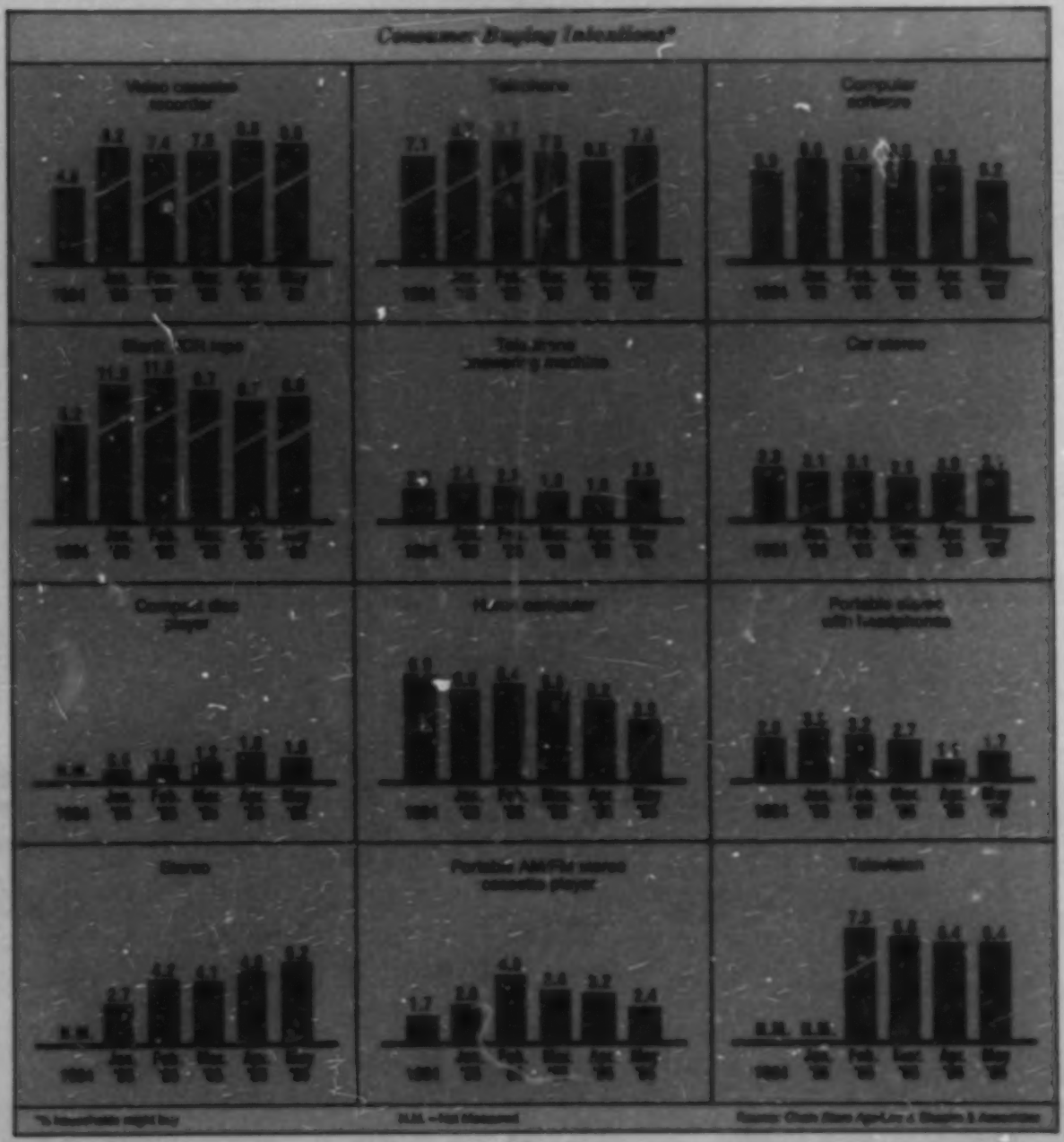
Home computers continue their slide

The biggest loser in the May *Chain Store Age* MarkeTrends poll may be home computers, a category in which only 3.9% intend to buy, as compared with peak interest of 7% and 6.9% in 1983 and 1984, respectively. The pattern continues when shoppers are asked if they have actively shopped for the product during the past 30 days. In May only 1.5% say they have, compared with 4.2% in January.

Reports of continuing strong interest in stereo components may be music to retailers' ears, as consumers buying intentions lean strongly toward the more sophisticated audio systems but away from boom boxes. Shoppers also continue to respond to the call to buy telephone answering machines, with more people now actively shopping for a system than anytime this year.

The category of CD players is one that shows a strong three-month pattern of consumer buying intent. The relatively new product continues to attract more attention than it did in the first months of the year. Interest in CD players has tripled since January, with 1.5% now saying they might buy.

Consumer interest in television purchases continues to lag, especially when compared to the number of people who say they bought one last year. □



Discounters get more calls for phones

Interest in purchasing phones has increased after a recent decline.

A CSA/Shapiro study of telephones shows consumers are still flocking to telephone specialty stores as the first choice among shoppers (45.9%) who say they plan to buy, but discount stores are making some gains.

Discount stores have improved their standing with telephone shoppers, as 16.8% will buy there in May, compared with 13.4% in January. There is also more interest in shopping at an electronics store (8.3%) than there was earlier in the year (5.8%).

With interest in telephones improving after slight declines in March and April, 51.1% of consumers say they prefer Bell, AT&T and Western Electric to all other brands. Only 16.2% prefer a store brand, 12.3% favor an unespecified name brand and GTE outpaced Cobra and G.E. with an 8.1% rating.

Those planning to buy feel strongly about their brand choice. Of these shoppers, 36.7% say they definitely want their specific brand. This compares with 12.8% who definitely want a brand of VCR, and 19%, a microwave oven.

Specialty stores continue to lead

Telephone specialty stores	45.9%
Electronic specialty stores	8.3%
K mart	5.8%
All other discount stores	11.8%
Department stores	7.7%
Penney	3.8%
Sears	1.8%
Ward	1.1%
Other	10.3%

Source: Chain Store Age/Lee J. Shapiro & Associates

The first five months of the year have shown telephone sales to be capable of ups and downs. Consumer buying intent was measured at 8.7% for January and February—perhaps the result of Ma Bell's decision to separate customers' bills for equipment and service charges, thereby reminding them how much they were paying to use someone else's telephone. Buying intent slipped during March and April, but is now up again to 7.6%, as compared with 7.1% for all of 1984.

Price preferences remain strongest at the midrange, with 24% of shoppers saying they expect to pay between $36 and $50. But 13.1% are willing to pay between $51 and $99. □

Brand preferences shift in VCRs

As the VCR market matures, consumers are showing their willingness to change brand name preferences, and loyalty to VHS rather than the Beta system is becoming more clear cut.

CSA MarkeTrends has tracked the growth of the fledgling market from 1981, when 3.2% of consumers said they planned to buy a VCR, until this month, when 8.6% say they will make such a purchase.

Just as 74.6% surveyed for January's study said they would postpone their VCR purchase if there were a downturn in the economy, this month that figure has increased slightly to 75.3%. The responses indicate that VCRs have still not grown as essential to home entertainment as televisions or stereos.

The survey also plots continuing changes in loyalty to brand names.

How much do you expect to pay for a VCR?

Under $299	5.9%
$300-$399	26.3%
$400-$499	22.1%
$500-$599	25.9%
$700-$899	4.2%
Over $900	4.3%
N.A.	11.3%

N.A.—Not Available
Source: Chain Store Age/Lee J. Shapiro & Associates

Just as Fisher earned prominent mention in the January survey as the result of heavy pre-Christmas promotion, that consumer preference has virtually vanished without the promotions. And, declines in prices of other well-known names have made them more attractive to consumers. The leading brands, as chosen by consumers planning to make a purchase, are now: RCA (19.9%), Panasonic (17.2%) and Sony (10%).

VHS is still favored over Beta by consumers planning to buy a VCR (12.8% vs. 8.6%), with 56% undecided. But among consumers who already own a VCR, only 12% who bought a Beta system would do it again, and 80% with VHS are happy with what they have.

Those planning to purchase a VCR spread their shopping preference among a range of stores. Their first choice is an audio electronics store (25.1%), followed by a mass merchandise outlet (17.9%), then a discount store (17.2%) and, finally, an appliance store (17.1%).

Shoppers base their choice of store mainly on price (30.2%). They also value past dealings with the store (7.7%). The support the store gives its products was most important for 6%. □

Specialty stores up software share

The shakeout in low-end home computers may very well be changing distribution patterns in software. As consumers move toward higher-priced, more powerful machines—the kind still generally bought in specialty stores—they are naturally purchasing more software in these outlets.

According to *CSA/MarkeTrends*, computer specialty stores have boosted their share of the software market to 39%. The Big 3, meanwhile, have suffered the most from this shift in the market. Their combined share is down by 50%, with only 7.5% of those who purchased software recently saying they did so at Sears, J. C. Penney or Montgomery Ward.

Specialty stores solidify hold on software

K mart	7.5%
Other discount stores	11.8%
Sears, Penney, Ward	7.5%
Department stores	3.3%
Audio/electronics stores	16.4%
Specialty stores	38.7%
Mail order	5.4%
Other	5.4%

Source: Chain Store Age/Lee J. Shapiro & Associates

The immediate future looks just as bright for specialty stores but considerably dimmer for the Big 3 and discount stores. When asked where they might buy software, only 2.8% of those surveyed mentioned K mart, while 9.8% named any discount store. Those numbers are well below the actual share these outlets currently have.

Even as market share shifts, the overall business remains flat and may even be declining. The number of people actively shopping for computer software is down to 1.2% of those surveyed, the lowest figure in five months, while the number saying they might purchase software in the next 12 months is at 5.2%.

To a certain extent those numbers represent the seasonal nature of the business, which is strongest just before and just after Christmas. But last year's drop in sales of hardware suggests a very real decline in consumer interest. □

No recession, but . . .

Somebody is in trouble. Just who is in trouble is not yet clear, but there will be a dark side to electronics retailing this year. Amid all the hoopla over projected VCR sales, there has not been wide notice of a brewing problem—1986 will show the smallest overall growth in electronics sales in the last five years.

The Electronics Industries Association (EIA) estimates that the dollar value of factory shipments to dealers this year will increase 5%. This compares to last year's 11% gain and 1985's 20% jump. Measured in dollars, this year's factory shipments will gain only about the same amount as they did during the 1980-81 recession.

Is another recession ahead? Probably not. One would be hard pressed to call a $23+ billion retail business in the depths of a recession. Nonetheless, one would also be hard pressed to find this year's really profitable growth areas.

The EIA tags VCR dollar sales jumping 20% this year. Compact disc players will gain 30% and telephone answerers 10%, says the EIA. Blank video tape sales will increase 20%, telephones 10% and blank audio tape 7%.

This sounds like good across-the-board growth—up to a point. The EIA is also projecting that color televisions, black-and-white televisions, video cameras and cordless telephones will all show a decrease in sales this year.

If that is not enough bad news, consider also that *Chain Store Age MarkeTrends* research indicates that some of the EIA's estimates for 1986 may be too optimistic. Video cassette recorders, compact disc players and home stereos are the only categories of the 12 tracked that show growing consumer intent-to-buy this year.

Car stereos will hold even, according to MarkeTrends. But for telephones, computer software, blank video tape, telephone answering machines, home computers, handy-dans stereos, boom boxes and televisions the trend is down. Fewer and fewer consumers are saying that they actually expect to buy these products in the next year.

And even the much hailed/feared success for video cassette recorders must be tempered with the knowledge that many manufacturers and some retailers are getting into the business. This year and, to an even greater extent, next year will be a battle for market share.

Market share battles are fought in mature industries—and that is exactly what is happening to home electronics. The business will continue to grow modestly in the near term, but the boom years, at least for now, are over. When the VCR boom levels off, there isn't another home computer or headphone stereo or even television in the wings to come in from the sidelines and pick up the momentum.

What retailers will be left with is a modestly growing market where the real opportunity for growth comes from increasing their own market share. In the past, too many merchants have taken the easy route and tried to grow share solely through price competition.

If nothing else, *CSA*'s cover story this month shows that consumers value retailers for more than just low prices. The retailer who so narrowly defines the value perception of his customer leaves himself wide open to an assault from a retailer who accepts a broader definition.

Whether or not electronics retailers listen to their own customers will prove who will win—and lose—in next year's retailing environment.

—*Rich Gallagher*

PACKAGING ADDS A SHINE TO BETTER

GLASSWARE

Buyers plan to enrich product offerings in glassware with more name brands, improved packaging, fashionable colors and enhanced in-store merchandising.

By trading their customers up, retailers are finding new ways to squeak higher profits out of the glassware category.

Glassware, most sources admit, has reached a saturation point and the only way retailers can build greater sales and profits is by offering higher-ticket goods. By doing so, chains are experiencing gross margins as high as 50% rather than the traditional 35% to 40%.

The emphasis on better glassware is evident in chains ranging from K mart with its Kitchen Korner department to Montgomery Ward's open stock selection in the Home Stores.

Most hope this strategy can take away some of the "down and dirty" discounting in glassware. As one New Jersey retailer put it: "We think that just carrying Crown Corning or Mikasa is enough reason to draw shoppers. We're cutting down on discounting."

Selling more fashionable merchandise in snazzier settings, sources add, is also boosting department turns to about four times per season.

The tactics retailers are employing to achieve better glassware volume include:

- A move by discounters to sell more bulk products;
- Better displays including open stock;
- More use of colors, particularly primaries;
- And, the creation of specialty areas for products such as barware.

Selling bulk: Perhaps the biggest news in glassware since Libbey's "no chip" warranty program is Anchor Hocking's Beverageware System for bulk and 4-pack sales.

Debuted at the March Housewares Show, the new system helps solve discount operators' long-standing problems with selling bulk—a traditionally more profitable sale in glassware.

The emphasis on better glassware is evident at all retail levels.

According to product manager Debbie Kidwell, the system offers retailers better dollars per square foot. Not only can the boxes be stacked, but the 4-packs are 33% smaller than conventional boxes, allowing 18% more sku's in the same space.

Chains including K mart, Lamston's, Target and SkopKo welcomed the new system. "It is a convenient way to sell glassware," says Burt Goldstein of Lamston's. "It offers us a chance to get into bulk."

Discounters also like the system because it eliminates the need for wrapping at the checkout and should help curb breakage.

"Another reason we're excited about it," according to K mart's buyer Don Edel, "is because the individual UPC coding makes scanning easier." Edel says K mart will test the Anchor Hocking program later this year.

Despite the praise for the Beverageware System, competitors say they will wait until Hocking has results before debuting similar packaging. Price is one reason they will be cautious.

"Although Anchor says it won't raise price points, I can't see how it can be done without raising costs," offers one supplier.

Other sources—both on the retail and supplier end—say the system will fuel sales in drug and food outlets. "Why should we hand over the business to those outlets?" a buyer asks.

Perhaps the biggest problem for retailers is timing. Although a few large accounts will have the product by late this year, most will be forced to wait until 1986. This means retailers can not integrate it into fall planograms.

Adding punch: In the meantime, buyers plan to enrich product offerings by using more name brands,

Better displays of packaged and open stock is a trend in glassware.

improved packaging and fashionable colors. Most will also play up in-store merchandising.

"There's a new type of customer out there," offers Jim Hughes, vp sales for Crisa. "Years ago, this customer would not have been caught dead in a Target but now buys more and more items there. That is why our newly repackaged line fills a void in the mass market."

Ralph Becker, retail marketing manager for Libbey, believes brand names are more important than ever. "We find more people want Libbey because we have a respected name."

Libbey, according to research from *Chain Store Age*/Leo J. Shapiro & Associates, is the brand customers think of when they want glassware. When asked to name a brand, 28% selected Libbey, followed by Anchor Hocking's 7%, J. G. Durand's 2.6%, Fostoria's 2.6%, Pyrex's 1.8%, Waterford's 1.8% and Lenox's 1.7%.

J. C. Penney, Montgomery Ward, Bradlees and E. Gottschalk's have been quick to add more of these high impact brands.

"Better glassware," says a source at Fresno, Calif.-based Gottschalk's, "means better margins and we're all after that."

Paul Benyak at J. C. Penney reports that his chain's upscaling program has resulted in glassware sales that even surprise him. "We found we could blow out items at $10 a stem."

At which store area your last glassware purchase made?
Discount store 30.7%
Big 3 19.4%
Full line department store 25.0%
Drug or JA 2.9%
Catalog showroom 5.3%
Hardware store 1.3%
Product specialty store 9.2%
Grocery store 6.8%
Other 11.2%
Source: Chain Store Age/Leo J. Shapiro & Associates

Customers want more: *CSA* consumer research lends support to the notion that customers want better glassware. In fact, the data suggest that discounters have lost some of their glassware business to department stores which offer a better grade product. Discounters must move swiftly to improve offerings.

In 1983, for example, discounters controlled 43% of the market, measured by purchase sites for glassware. That dipped in the April 1985 consumer survey to only 30%.

"Discounters," says Hughes, "have realized the need to stop losing share and they are looking to new suppliers and different types of glassware to win shoppers back."

Hands down, suppliers credit Bradlees with making the most impressive moves. At its Framingham, Mass., store Bradlees offers an entire open stock glassware selection featuring everything from $5 stemware from Colony to Katja's red and black Drulane barware collection.

Others point to Wal-Mart and K mart as trendsetters. Wal-Mart, vendors say, will soon create a color statement and K mart has been aggressively upgrading with Kitchen Korner.

"We are concerned with trading up," says Edel, "and now that we have more space we're not stuck at low-end price points."

Color, Edel adds, plays an important role in his new programs. "Painted designs are passé. We're seeing more solid colors or clear crystals."

Ralph Becker, retail marketing manager for Libbey, agrees that color has been a success story. "We've had an overwhelming success with our Ribbons of Colour and Prime-Mates."

Goldstein at Lamston's adds that solid colors as well as "ribbons and swirls" are fast movers at his stores. Other color picks include smoke and heather.

The use of color is making it easier for mass retailers to enter the barware area, according to Gerry Ragucci, national sales coordinator for Durand.

"I think the next major trend will be in the home entertaining and barware areas," Ragucci says. "We had a great reception to our Entertainment collection during the show."

Bloomingdale's, Burdines and Dayton's head the list of department stores creating barware departments. Mass outlets such as J. C. Penney and K mart are following suit.

Too high: With all of the upgrading, buyers remain cautious about price points. There remains a magic price point, according to Hughes at Crisa, and chains cannot go much above $15.

CSA research supports that fact: The majority of shoppers interviewed by CSA expect to pay $11 to $15 for glassware. □

Intent-to-buy quieter in housewares

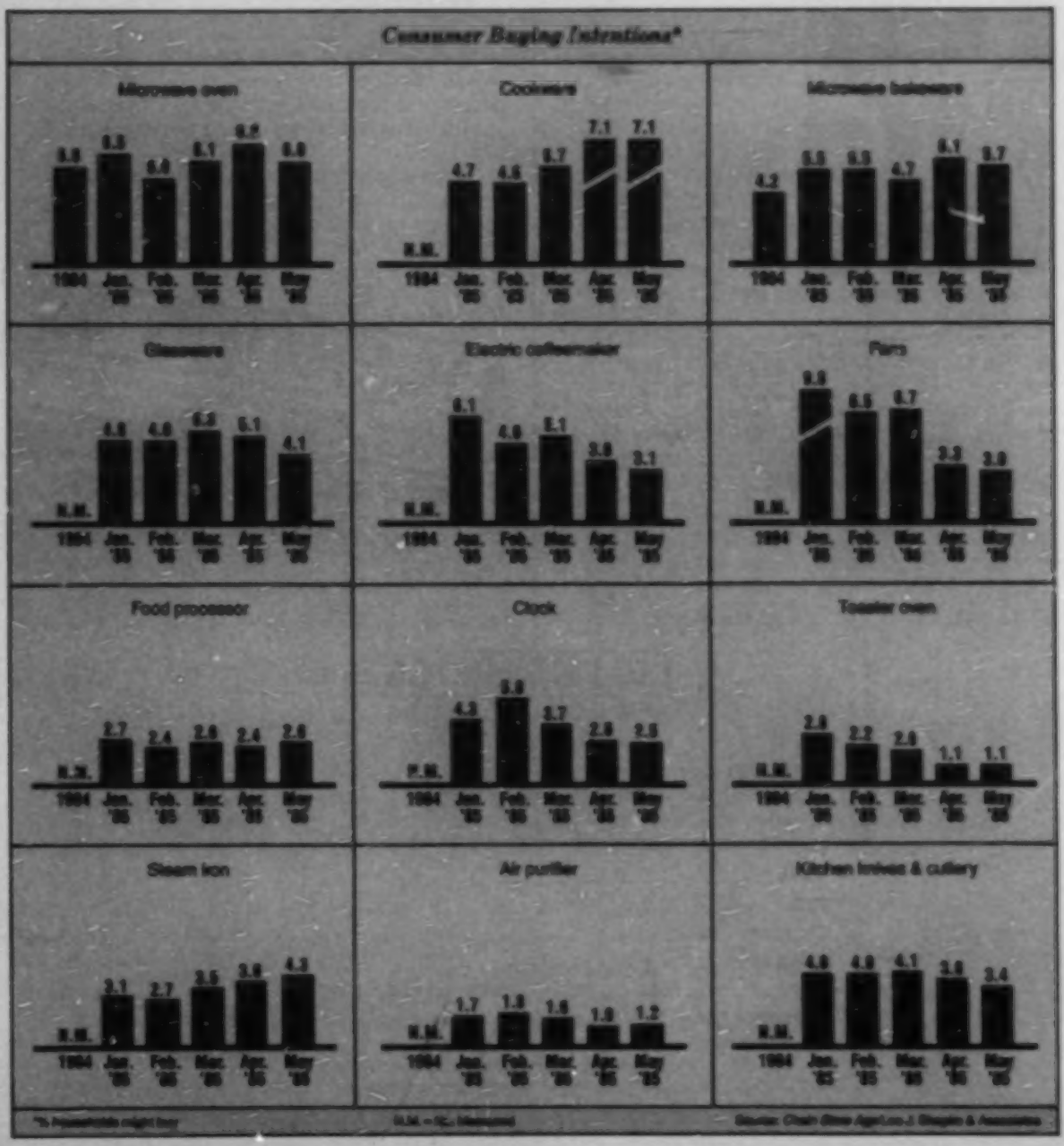
Consumers appear to be paring back plans to purchase new housewares items. Buying intentions, based on the number of households that say they intend to buy in the next year, dropped in 7 of 12 tracked categories. Shopping intensity stayed even in two other areas and rose only slightly in the other 3, according to *Chain Store Age* MarkeTrends.

Steam irons continued on an upward spiral in May with 4.3% of the households indicating an interest in buying. That was up from 3.6% in April and 3.1% in January.

On the down side, consumers appear to be putting off plans to add to their glassware collections. The shopping intensity in this category dropped from a high of 5.3% in March to only 4.1% in May.

After four months of a steady climb, microwave oven shopping plans started on a decline. Not surprisingly, intentions to purchase microwave cookware are also sinking, according to *CSA*'s May research.

Although the intent to buy cookware stayed even in May, this category remains the strongest in the housewares field. With 7.1% of the population saying they might buy cookware in the next 12 months, cookware promises to be the most active housewares category tracked by *CSA* MarkeTrends. □



Microwave ovens become kitchen basics

Microwaves have become basic kitchen appliances, rather than luxury items.

Although the intention-to-buy level dipped from 6.8% in April to 6.0% in May, the microwave oven category remains one of the most active of all of the housewares areas tracked by *Chain Store Age* MarkeTrends.

Perhaps one of the reasons sales continue to flourish is customer satisfaction with the ovens. According to *CSA* MarkeTrends research, 98% of all owners are completely satisfied with the ovens.

Microwaves are becoming a basic kitchen item rather than a luxury with 45.6% of the survey now reporting that they own one. There is still room to grow in this market, however, because 29% of those who do not possess a microwave oven say they "might buy one in the coming 12 months." Also, 10% of those who currently own one may either replace or upgrade their current oven.

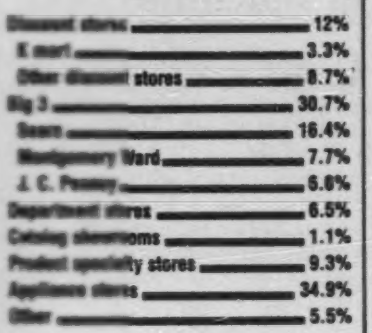
Whether first time or second time buyers, consumers are searching for more features in the ovens. Close to 20% of those who already own a microwave, for example, said they would like a built-in carousel with their next oven. Digital read-outs, defrost capabilities, temperature probes and touch pads were other desirable features. Surprisingly, a browning feature was not high on the list, despite the fact that many consumers seem to think the ovens are not capable of browning.

Nonowners tend to think they would use a microwave primarily for cooking. However, close to 50% of those who do have one said they tend to use it for reheating. Sixty per cent of the owners use the oven over 10 hours per week—that is significantly higher than the three to six hours a nonowner expected to use the oven if purchased.

The Big 3 have a stronghold on the microwave business with 30.7% of all who last bought saying they did so at either Sears, J. C. Penney or Montgomery Ward. Sears, in fact, accounted for 16.4% of the purchases followed by Ward with 7.7% and Penney with 6.6%.

The No. 1 brand, according to the sample, is Sharp, with 15% share followed by Panasonic with 9.4%, Litton with 9.4%, Amana with 8.1%, G.E. with 6.3% and Tappan with 4.7%. □

Where microwaves are purchased



Source: Chain Store Age/Leo J. Shapiro & Associates

Coffeemakers perking at discounters

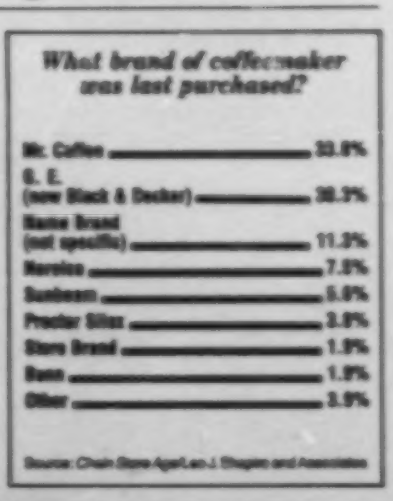
Discounters lead the way in coffeemakers with almost 42% of the households *CSA* MarkeTrends interviewed responding they last bought a coffeemaker at a discount outlet. About 10% of those households, in fact, bought the coffeemaker at a K mart.

Price is undeniably the force bringing customers to discounters for coffeemakers with 53.4% of the households surveyed indicating they picked the outlet they did because of price. Sales are also important to this customer: Almost 65% last purchased a coffeemaker at an on-sale price.

Name brands are crucial in the coffeemaker business with just over 96% responding they would buy an advertised brand vs. a store label. Mr. Coffee, according to the poll, scored the highest at 33.2% followed by G. E. with 29.7%, Norelco with 7.4%, Sunbeam at 5.5%, Procter Silex with 3.8% and Bunn with 1.9%. Krups and Braun were not mentioned.

Although price is important, consumers are willing to dig deep into their pockets for coffeemakers. Almost 30% of the survey said they would expect to pay anywhere between $36 to $50 for a coffeemaker. And, despite the inroads the new under-the-cabinet coffeemakers have made into the market, 14% of those surveyed still prefer a countertop model vs. only 3.5% who desire one that mounts on a wall or under a cabinet. □

What brand of coffeemaker was last purchased?



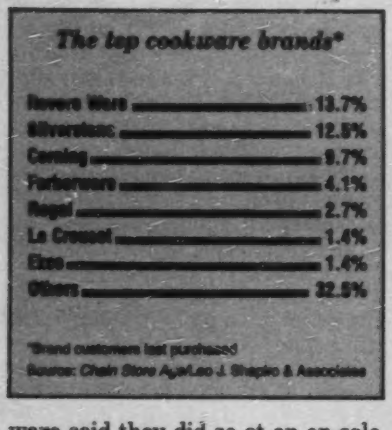
Source: Chain Store Age/Leo J. Shapiro and Associates

Cookware is a branded business

Cookware shoppers are brand conscious and will often shop around to find what they perceive as the best quality for their money.

According to *CSA* MarkeTrends research, 86% of all shoppers surveyed prefer to buy advertised brands rather than store labels.

Price, however, also plays an important role in cookware purchasing decisions. When asked to supply one word to describe why they would choose one outlet over another, almost 50% of the survey answered price. Additionally, 62.5% of those who recently purchased cookware said they did so at an on-sale price.



When consumers were asked where they *would* purchase cookware, answers were almost equally distributed among discounters (26.7%), the Big 3 (26.4%) and department stores (24.9%). However, when that question was put to those who actually had purchased cookware recently, the Big 3 dropped to a 19.5% share.

This suggests that customers are somewhat disappointed with the Big 3's cookware offerings. The outlets gaining at the expense of Sears, J. C. Penney and Montgomery Ward are catalog showrooms and department stores.

Shoppers are almost split on whether they prefer to buy cookware in sets or pieces—22.9% vs. 18.7%, respectively.

Fifty-three per cent of the shoppers expect to pay between $36 and $124 for cookware, with the most popular price points falling between $36 and $50. □

Gazing into the future of housewares

With the help of retailers and manufacturers queried during the recent National Housewares Manufacturers Association show, I have done some gazing into the future of the housewares category.

Although the future looks bright, the experts admit they will have to work harder than ever to grab their fair share of limited housewares dollars. Today there are more retailers after the shopper's housewares dollars. Having the right item at the right price is becoming increasingly important. Here's what the experts predict will be the trends to watch in 1985:

Daring colors: Forget almond . . . today's sophisticated shopper wants pizzazz. According to J. C. Penney's retail marketing manager, Paul Benyak, primaries are the hot items, as well as black and white. Anyone who made the semiannual pilgrimage to Chicago's Crate & Barrel also knows that gray and yellow will be the new popular colors to add to primary assortments. And, Robert J. Zaban of Watercolors, Oils and Pastels predicts the European influence will mean greater sales of pastels.

Color was also the show-stopping feature of Hall China's Art Deco ceramic line. Available in over 100 colors, the line was a show pick of retailers ranging from Dennis Bookshester, chairman and ceo of Carson Pirie Scott to Robert Cressey, buyer for Strawbridge & Clothier.

Cord busting: After this housewares show, cords are a thing of the past. Just about every major supplier—Black & Decker, Sunbeam, Norelco, West Bend, Hamilton Beach and Procter Silex—showed cordless, rechargeables at the show.

With these new technology items, however, come some of the same problems associated with under-the-cabinet items. Specifically, retailers are wondering just how far the cordless technology can go. Perhaps Montgomery Ward's national merchandise manager Rod Hamilton sums it up best: "If there really is a genuine benefit from cordless, like the iron, I think it will be good. Some items just don't have a need." Hamilton, for now, is shying away from cordless because of the price.

Downsizing: Hamilton Beach unveiled a compact microwave during the show. Of course the company is not the first to come out with smaller microwave ovens, but its entry into this area helps hammer home the fact that this trend is here to stay. More "micro" microwave cookware follows these new ovens.

Megabucks: Housewares has never been an area where manufacturers plunked down huge advertising dollars. Instead, retailers used generous co-op dollars to promote their own chains. That is all changing now as the majors flood consumers with their message.

Leading the charge is Black & Decker with its $100 million salvo designed to introduce itself as a housewares force.

Sunbeam is countering that with a $42 million ad campaign of its own. Although that figure may pale in comparison to Black & Decker, Sunbeam already has an established name in the business.

New contenders: *CSA* associate editor Nanci Brickman was one of the first to notice what is now becoming a trend—housewares retailing is becoming a prime specialty diversification strategy. For example, Dayton Hudson has its J.G. Branden's, Mandee Shops has its new The Home Market and Melville is lacing its Linens 'n Things format with more housewares merchandise.

—Faye Brookman

Talbot.

Another compelling reason vendors believe corporate licensed goods will start hitting it off well with chain buyers is the cross-merchandising opportunities such goods provide. Licensed merchandise can be used to drive sales of the principal product, or vice versa.

"If Louisville Slugger is the biggest supplier of bats to a discount chain, the chain's apparel buyer is going to be more inclined to buy the new Louisville licensed apparel because he'll be supporting a name already in his stores," reasons Wes Anson, president of Marketing/Trademark Consultants in La Jolla, Calif.

As corporate licensing grows, many vendors are becoming bolder. No longer will licensing programs be confined to merchandise which bears some obvious relationship to the original product. The uniqueness of a licensed product may now be important, especially in trying to tap certain markets. Hershey's Foods and Coca-Cola, for instance, have both signed Arrow Trading to produce telephones using their brand names and packaging designs. That kind of marriage is not far-fetched, according to the companies.

"Teenagers are one of our target markets, so we wanted to have something to attract them," says R. Bruce Gilbert, manager of merchandise licensing for Coca-Cola.

The Arrow telephone and a radio done in the form of a vending machine are two products Coca-Cola decided would appeal to teens, and the strategy appears to have worked. Jack Dweck, exec. vp of Arrow, says the company decided to do the Hershey phone because of the success of the Coca-Cola model.

As the range of associations between corporate license and products broadens, one caution remains: Such goods won't sell well on mass market shelves unless they go beyond the kind of simpleminded, often chintzy merchandise which was common when corporate licenses were used primarily on products designed as giveaways.

"I can walk a trade show and tell you the products that won't make it," says Seth Siegel of Hamilton Projects, a New York-based licensing representative. "Something that just has a name or a logo stamped on it won't work. The design has to be well thought out and integrated with the product." □

Who knows 1985's hottest new license?

CSA's latest poll of toy buyers suggests that choosing this year's hit license won't be an easy task.

Picking a new license which promises to be this year's hit requires experience, intelligence and a certain amount of gut feeling. But even then it is a chancy, hit-or-miss endeavor, as *Chain Store Age*'s latest poll of toy buyers suggests.

Asked to select 1985's hottest new licenses, toy buyers at the nation's largest general merchandise chains could come to no consensus. The four most frequently mentioned new properties were Voltron, Princess of Power, Wuzzles and Hugga bunch, but none of these were selected by more than 25% of buyers.

Buyers couldn't even come to a consensus on what subcategory would be licensing's hottest. Voltron, for instance, is part of 1984's best category, robots, while Princess of Power is a spin-off of Masters of the Universe, the top action figure property. But both Wuzzles and Hugga Bunch are at the opposite end of the spectrum, the cute and cuddly groupings of characters.

One thing which buyers are sure of, however, is the list of hottest licenses currently in stores. The top rate licenses for sales in February were Transformers, GoBots, Masters, Cabbage Patch and Rainbow Brite. Numbers in parentheses indicate position on the previous survey. *Showing most growth:*

1. Transformer (2)
2. GoBots (3)
3. Masters (5)
4. Cabbage Patch (1)
5. Rainbow Brite (3)

Showing most falloff:

1. Star Wars/Jedi (1)
2. A Team (2)
3. Strawberry Shortcake (3)
4. Knight Rider (5)
5. Get Along Gang □

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High inventories gobble up gains

Department stores lead the list of losers in the fourth quarter income tally, victims of high inventories, heavy promotions, and rampant price cutting that turned retailers' high expectations for Christmas into New Year's resolutions to cut inventory.

Bloated inventories exacted a heavy price in the final quarter on R. H. Macy and Carter Hawley Hale, as the rate of gain for profits for the department store group slowed from 35.1% in 1983, to just 6.5% last year. The same pattern held for fourth quarter earnings. Net income for department stores increased 5.6%, compared with a 21% gain in fourth quarter, 1983.

The discount/variety group, which showed the greatest gain for 1983, with earnings ahead 68.9%, boosted income just 13.3% last year. K mart, for example, managed to maintain its gross margin for the year (27.7%), but fourth quarter comparisons show that high inventory levels cost the chain dearly. Faced with the need to promote heavily, K mart's fourth quarter gross margin declined to 25.8%. K mart is addressing the problem of inventory by installing new cash registers that are capable of providing sales information in greater detail.

Penney acknowledged a fourth quarter decline in gross margin and blamed it on heavy markdowns. Because the anticipated surge in seasonal demand failed to materialize, the company found itself with inventories that were 10% over plan.

As bad as the fourth quarter was for most, it could have been worse without a favorable LIFO index that provided substantial benefits for many chains. LIFO, which enables companies to adjust the value of inventory for the effects of inflation, enabled Carter Hawley Hale to gain a $17.9 million credit for the fourth quarter, as compared with a credit of just $500,000 for the previous fourth quarter. K mart gained a LIFO credit of $19.6 million for the year vs. a $45.6 million pretax charge the year before.

As always, a few chains again demonstrated their ability to sell product, control costs and keep inventories low even in tough times. Wal-Mart, Zayre, and The Limited maintained strong earnings records. During the fourth quarter, Zayre's inventories actually declined from the previous fourth quarter. Despite rampant price cutting throughout the industry, gross margin at Zayre rose to 24.2% for 1984, up from 23.7% in 1983. Wal-Mart had fourth quarter earnings gain of 29.3%, The Limited had a 38.4% gain, and Zayre reported a 22.5% gain.

Wal-Mart, Zayre, Limited gain in soft year

	4th quarter			Full year		
	1983 (000 omitted)	1984 (000 omitted)	% change	1983 (000 omitted)	1984 (000 omitted)	% change
Penney	260,000	216,000	−16.9	467,000	435,000	− 6.80
Sears[2,4]	406,000	361,300	−11.2	854,300	856,000	+ 0.25
Ward	53,000	69,000	+30.2	40,000	53,000	+32.50
Subtotal	719,000	646,300	−10.2	1,161,300	1,144,000	− 1.50
K mart	248,000	204,000	−17.7	492,300	499,100	+ 1.40
G. C. Murphy	7,243	8,827	+21.9	18,400	20,116	+ 9.30
Rose's	18,142	18,747	+ 6.8	21,895	23,898	+ 9.20
SCOA (Hills)	27,913	26,767	− 4.1	41,812	41,027	− 1.90
Wal-Mart	84,698	109,498	+29.3	196,298	278,898	+38.90
Woolworth[1,2]	81,000	92,000	+13.6	118,000	141,000	+19.50
Zayre	28,311	34,696	+22.5	81,426	90,316	+30.70
Subtotal	497,308	448,437	− 8.2	968,912	1,076,257	+13.30
Allied	88,113	91,659	+14.4	128,471	148,733	+ 9.50
Associated Dry Goods	80,424	81,263	+ 1.0	115,520	120,700	+ 4.50
Carter Hawley Hale	50,945	32,000	−36.8	67,485	89,700[5]	+33.00
Dayton Hudson	141,850	148,671	+ 4.8	243,187	250,346	+ 6.60
Federated[3]	172,700	201,500	+16.7	338,342	382,330	− 2.70
May Co.	100,400	110,000	+ 9.6	187,000	214,100	+14.50
Mercantile	30,496	36,455	− 5.3	83,222	84,700	+ 1.90
Subtotal	664,937	702,148	+ 5.6	1,163,227	1,236,578	+ 6.30
Federated Group	172,700	201,500	+16.7	338,342	329,330	− 2.70
Oshman's	7,468	7,846	+ 5.1	10,303	10,069	− 2.30
Toys "R" Us	73,796	79,906	+ 8.3	92,317	111,424	+20.70
Subtotal	253,964	289,252	+13.9	440,962	450,823	+ 2.23
The Gap	10,750	7,034	−34.6	21,687	12,230	−43.48
The Limited	24,296	33,617	+38.4	70,939	92,495	+30.40
Edison Bros.[3]	21,700	8,400	−61.3	48,900	32,900	−32.70
Subtotal	56,746	49,051	−13.6	141,446	137,625	− 2.70
Syms	4,744	5,749	+21.0	10,341	12,712	+22.90
Clothes Time	549	563	+ 2.6	2,429	3,311	+36.80
Subtotal	119,795	104,496	−12.1	295,053	291,273	− 1.30
Total	2,301,431	2,277,593	− 1.0	4,152,629	4,338,656	+ 4.50

[1]Continuing operations only. [2]Consolidated operations only. [3]Excludes unusual items. [4]U.S. merchandising only. [5]Includes after-tax gain of $62.5 million on the sale of Waldenbooks.
Source: *Chain Store Age* research

Ohio bank crisis erodes confidence

Reaction to the Ohio savings bank crisis may have helped erode consumer confidence in March after two months of gains. It tumbled from 96.8 in February to 88.1 in March, according to The Conference Board. However, The Buying Plans Index rose to 118.6 in March from 107.1 in February.

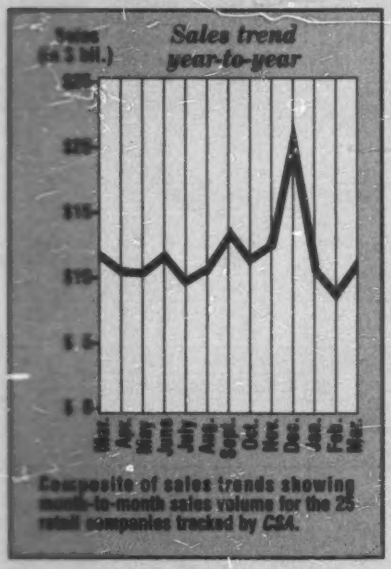
The Ohio bank closings is the most extensive action taken by banks since the Great Depression and reaction to it may have made consumers throughout the U.S. uneasy. On March 15, 71 Ohio state insured thrift institutions closed their doors for six days. When they reopened, customers were only able to withdraw $750 a month until the crisis ends.

Ohio merchants have been most sympathetic to customers which may have helped keep the situation in perspective. For instance, Federated Department Stores, which operates Gold Circle, Shillito-Rike's and Lazarus in Ohio, agreed to honor all checks drawn on savings and loan accounts.

Retail health's true picture?

While the U.S. Commerce Department reported March retail sales falling at a seasonably adjusted rate of 1.9% from January, the news left retailers bewildered. March sales for the 26 chains tracked by *Chain Store Age* jumped nearly 50% over January and 12.3% over a year ago.

The source of the confusion lies both with the Commerce Department's seasonal adjustment process and an early 1985 Easter. This year Easter fell on April 7, the day after



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

the end of the March reporting period for most retailers. Easter last year was April 22.

Despite Easter's tendency to inflate this year's results, Sears posted a paltry 2.7% gain over last March. Montgomery Ward fared even worse.

Among the department stores the news was brighter. Mercantile reported comparable-store results up 17.7% over last March. Allied, which saw total sales increasing 11% from a year ago, marked a 9.6% same-store gain. R. H. Macy comparable-store figures edged up 6.5%.

K mart's 19.5% increase still benefits from favorable comparisons against last year's performance, which does not include results from Waldenbooks. Still, the discounter giant posted an 11% gain for stores in operation for more than a year.

Easter exaggerates month's results

		March sales		Stores		2-mo. sales		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1]	+ 2.7	2,025,405	1,971,954	796	811	3,471,189	3,383,739	+ 2.6
Penney	+ 7.2	1,061,000	990,000	1,996	2,016	1,751,000	1,653,000	+ 5.9
Ward[1]	− 3.7	505,500	524,800	364	367	889,400	916,000	−2.9
Federated[2]	+11.5	837,700	751,200	466	426	1,466,100	1,329,200	+10.3
Dayton Hudson	+19.7	729,442	609,272	1,045	1,089	1,202,950	1,021,698	+17.7
May Dept. Stores	+21.9	444,400	364,500	1,868	1,609	733,600	619,300	+18.5
R. H. Macy	+ 8.1	367,000	339,500	96	93	669,200	620,300	+ 7.9
Associated Dry Goods	+21.0	375,200	310,000	N/A	323	624,900	527,900	+18.4
Allied Stores	+11.0	349,200	314,500	604	573	601,100	557,800	+ 7.8
Carter Hawley Hale	+ 9.5	321,300	293,400	269	248	566,500	509,800	+11.1
Mercantile	+19.8	169,399	141,356	79	78	267,456	233,224	+14.7
K mart[3]	+19.5	1,960,000	1,640,000	2,054	2,042	3,267,600	2,782,400	+17.0
Wal-Mart	+36.0	593,000	436,000	765	657	1,028,000	769,000	+33.7
Woolworth	+ 7.2	495,500	462,100	N/A	N/A	830,100	797,100	+ 4.1
Household March.[3]	+ 7.0	506,590	473,353	3,593	3,738	893,950	844,493	+ 5.9
T.G. & Y.	+ 5.7	182,826	172,966	741	793	308,628	309,571	− 0.3
Zayre[4]	+31.4	352,661	268,348	860	770	527,032	422,424	+24.8
Bradlees	+20.4	114,500	95,200	132	128	190,800	168,500	+13.2
Rose's	+19.3	68,157	57,107	197	191	133,952	113,909	+17.6
Murphy	+ 4.1	77,889	74,801	381	404	131,958	130,190	+ 1.4
Jamesway	+32.4	39,541	29,855	85	79	65,109	51,696	+26.0
Heck's	+13.6	48,300	42,500	125	122	78,600	70,700	+11.2
Melville	+20.8	428,971	354,993	5,301	5,755	699,200	610,155	+14.6
Tandy	+ 2.6	227,943	222,233	N/A	N/A	435,204	432,247	+ 0.7
Edison Bros.	− 7.6	66,400	71,900	N/A	N/A	129,700	144,900	−10.5
The Gap	+24.1	45,800	36,900	624	556	75,600	65,200	+16.0
Circuit City	+25.8	37,600	29,900	96	N/A	71,800	55,600	+29.1
Total & Averages	+12.3	12,248,498	10,905,672	—	—	20,802,010	18,830,475	+10.5

"000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,674 franchise stores (vs. 2,771 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 290 Zayre stores (vs. 276 a year ago), 412 Hit or Miss stores (vs. 373) and 158 T. J. Maxx stores (vs. 121). [5]Excludes supermarket sales. [6]Store count includes K mart stores only.

Tandy Corp. gets set to grow

The last year has not been kind to Tandy Corp., but the electronics giant is thinking aggressively, thanks to several new and old items it believes will spur sales. According to Bernard Appel, president, Radio Shack division:

- The advent of compact disc players could lead to added sales of stereo speakers as consumers upgrade.
- In the fall catalog, out in August, Radio Shack will introduce the first do-it-yourself complete satellite TV system. Industry analysts predict more than half a million units will sell during 1985.
- By June, a new business-type phone with hold, intercom and multiple buttons will be introduced for home use.

Tandy's Radio Shack division may have reached its limits in exploiting the market for its private label products, spurring the nation's second-largest electronics retailer to pursue growth in the more lucrative branded market.

The Fort Worth, Tex.-based chain has announced that it will buy the 24-store Scott Appliance group which operates audio/video/appliance outlets in the Memphis, Tenn., and Jacksonville, Fla., areas.

John V. Roach, Tandy's chairman/ceo says, "This acquisition represents Tandy's initial entry into name brand discount retailing and will provide us the opportunity to become more familiar with a segment of the electronics industry in which we have not been participating."

Scott Appliance, which turned in sales of $46.9 million for the fiscal year ended Jan. 31, 1985, will operate as a separate subsidiary.